

Health Care Financing Trends

The 1987 national health expenditure estimates are examined from different perspectives in the following two articles. In the first article, revised expenditure estimates for 1984-87 are presented. A breakdown of the type of services and products purchased is included, as well as the source of funds used to finance health care. In the second article, health care expenditure estimates are used to explore marginal analysis as a policy tool for understanding health spending in relation to our Nation's ability to finance that spending. The concept of marginal analysis is also used to examine selected periods that were relevant to health policy and the timing of public and private changes in health policy in the past.

National health expenditures, 1987

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Highlights

The Nation's health care bill topped \$500 billion in 1987, an increase of 9.8 percent from 1986. Per capita spending increased to a level of \$1,987, almost ten times the per capita spending of 1965. National health expenditures (NHE), as a share of the gross national product, continued its upward climb to 11.1 percent in 1987, increasing from 10.7 percent in 1986 and nearly double what it was in 1965 (Table 1).

Most of the growth in 1987 NHE was concentrated in spending for professional services. Expenditures for physicians', dental, and other professional services grew at rates faster than overall spending. Spending for the institutional services of hospital and nursing home care grew at slower than overall rates, reflecting the success of public and private hospital cost-control initiatives implemented in the early part of this decade.

National health expenditures

National health expenditures are divided into two parts: health services and supplies (expenditures related to current health care) and research and construction of medical facilities (expenditures related to future health care). Health services and supplies can be disaggregated into personal health care (the direct provision of care), program administration and the net cost of health insurance, and government public health activities.

Personal health care

Personal health care expenditures grew 10.2 percent to reach a level of \$443 billion in 1987 (Table 2). This translates to an average of \$1,758 per person.

Personal health care includes hospital and nursing home care, services of physicians, dentists and other professionals, and miscellaneous other personal health care services, as well as purchases of prescription and nonprescription drugs and durable medical products.

Hospital and nursing home services which combine to represent institutional services, were the slowest growing personal health care expenditure categories during the last 4 years. Growth rates for hospital care spending reached a low of 6.3 percent in 1984, and have steadily increased to a rate of 9.1 percent in 1987. During this period, hospital care spending grew at a slower pace than total spending, reversing the trend of the period 1978-82 when hospital growth exceeded total spending growth.

Hospital care accounted for the largest share of personal health spending—\$195 billion in hospital revenues representing 44 percent of personal health expenditures. Estimates of expenditures for hospital care include spending for both inpatient and outpatient hospital services. Spending for drugs and other services and supplies associated with hospital care, including services of hospital-salaried physicians, are also included in the hospital care category.

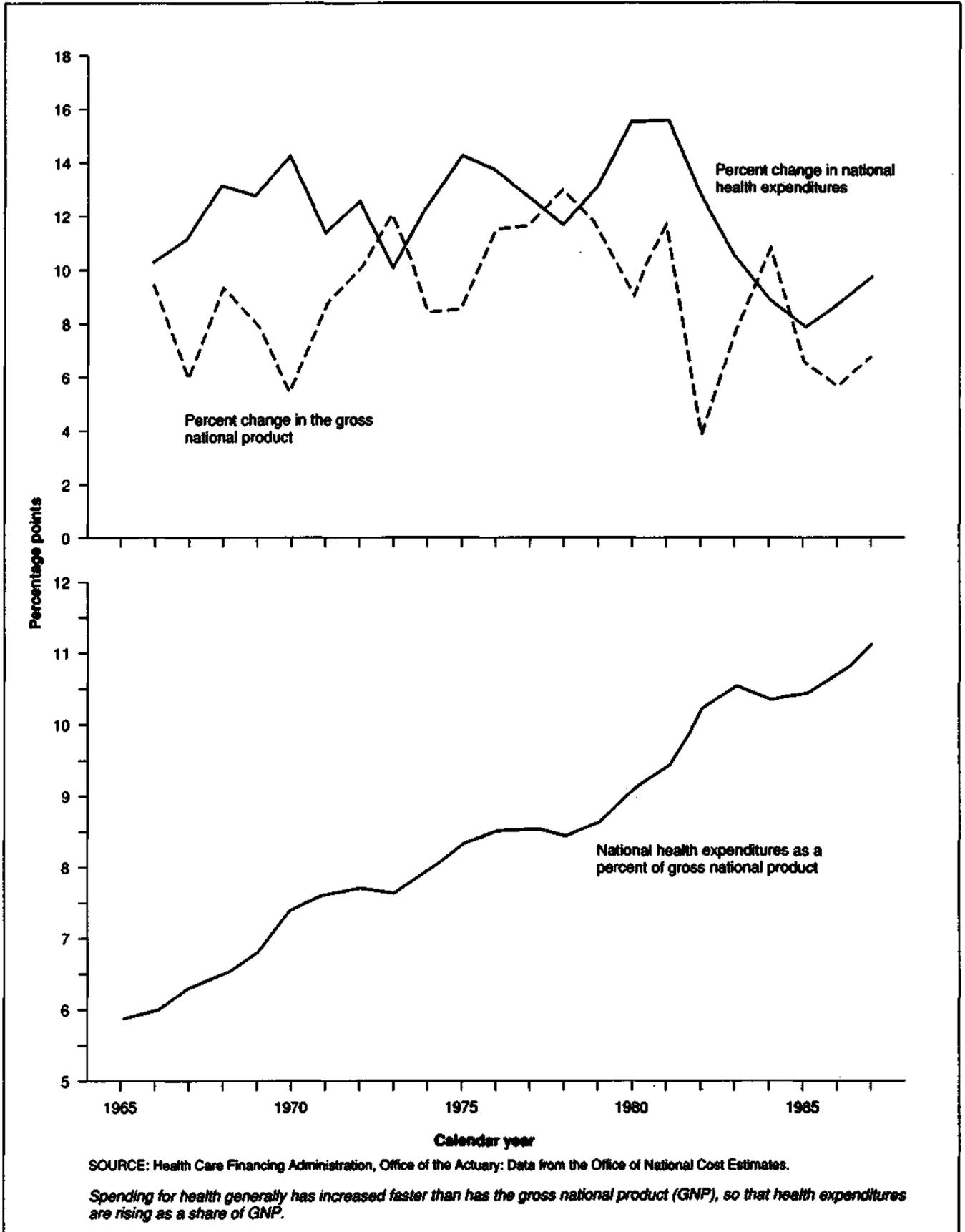
Nursing home care, the other component of institutional care, showed slower growth than personal health care during 3 of the last 4 years. Expenditures for nursing home care were \$41 billion and accounted for 9 percent of personal health care spending. Spending increased only 8.6 percent from 1986, which was the slowest growth rate among all types of service.

While institutional spending showed the slowest growth in 1987, spending for the professional services of physicians, dentists, and other professionals showed the highest growth rates among types of service. In a trend opposite from hospital spending, growth in spending for physicians' services has outpaced that of health care since 1984. Expenditures for physicians' services, representing 23 percent of personal health spending, is the second largest personal health category. In 1987, \$103 billion was spent for physicians' services, increasing 12.2 percent from 1986.

Spending for other professional services grew faster than any other type of service in 1987—as it has in every year since 1980. At a level of \$16 billion, this category accounted for 4 percent of personal health care spending. Home health agency services are included in other professional services and account for much of the growth in this category. Also included are services rendered by chiropractors, private duty nurses, optometrists, podiatrists, among others.

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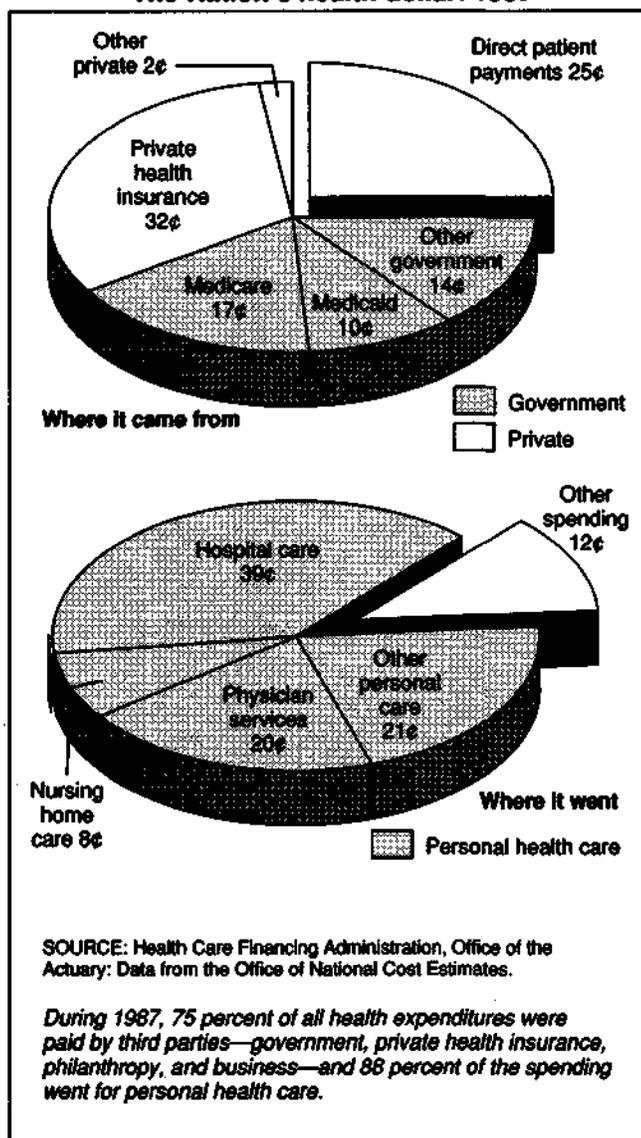
Figure 1
Percent change in national health expenditures and gross national product, and national health expenditures as a percent of gross national product: 1965-87



SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Spending for health generally has increased faster than has the gross national product (GNP), so that health expenditures are rising as a share of GNP.

Figure 2
The Nation's health dollar: 1987



Spending for dentists' services was \$33 billion in 1987, increasing 11.1 percent from 1986. This category accounted for 7 percent of personal health spending.

The remaining 13 percent of the personal health care dollar was spent on drugs and medical sundries, eyeglasses and appliances, and other personal health care. Expenditures for drugs and medical sundries were \$34 billion, increasing 8.9 percent from 1986. Expenditures for eyeglasses and appliances were \$9 billion, increasing 9.3 percent from 1986. Other personal health care includes health care spending that does not clearly fit in any other category or is unspecified. This category is comprised mostly of public expenditures—the only private expenditures are for the operation of industrial onsite health services (industrial inplant). Other personal health care expenditures were \$12 billion in 1987, increasing 12.2 percent from 1986.

Other health services and supplies

Program administration and the net cost of private health insurance (the difference between premiums earned and benefits incurred) amounted to \$26 billion. This accounted for 5 percent of total spending, increasing 8.4 percent from 1986. Government public health activities amounted to \$15 billion in 1987, increasing 7 percent from 1986. Public health activities are those functions carried out by Federal, State, and local governments to support community health, as opposed to care delivered to individuals.

Other national health expenditures

Expenditures for research were \$9 billion in 1987, and include all spending for biomedical research and research in the delivery of health care by both private and public agencies. Research expenditures of drug and medical supply companies are not included in this category, but are included implicitly in the expenditure class in which the product falls. Spending for the construction of medical facilities was \$8 billion in 1987, increasing 2.8 percent from 1986. The previous 3 years showed a decline in this category, which was a reaction to falling occupancy rates and overcapacity in community hospitals.

Financing personal health care

Third parties, through private health insurance plans and government programs, financed almost three-quarters of total personal health care in 1987. The remaining 28 percent was paid by direct patient payments in the form of coinsurance and deductibles, as well as out-of-pocket payments for uncovered services.

Within the general category of personal health, the share funded by third parties varied a great deal by type of care. The third-party share ranged from a high of 90 percent for hospital care to a low of 25 percent for drugs and medical sundries. Third parties paid for 74 percent of physician's services, 39 percent of dentists' services, and 51 percent of nursing home care.

Private health insurance plans paid an estimated \$139 billion in benefits in 1987, which accounted for 31 percent of all personal health spending (Table 3). A large share of the spending for hospital care and physicians' services was paid for by private health insurance—37 percent of spending for hospital care and 43 percent of spending for physicians' services. The "other private" category of expenditures includes philanthropy and industrial inplant services and amounted to \$5 billion in 1987.

Government programs spent \$175 billion for personal health care services in 1987 (Table 4). Public programs financed 40 percent of all personal health care expenditures including 52 percent of all hospital care (Table 5), 31 percent of all physicians' services (Table 6), and 49 percent of all nursing home care

Table 1

National health expenditures aggregate, per capita, percent distribution, and annual percent change, by source of funds: Selected calendar years 1965-87

Item	1965	1970	1975	1980	1983	1984	1985	1986	1987
	Amount in billions								
National health expenditures	\$41.9	\$75.0	\$132.7	\$248.1	\$357.2	\$388.5	\$419.0	\$455.7	\$500.3
Private	30.9	47.2	76.4	142.9	209.7	228.8	244.0	266.8	293.0
Public	11.0	27.8	56.3	105.2	147.5	159.6	175.0	188.9	207.3
Federal	5.5	17.7	37.0	71.0	102.7	112.0	123.1	132.8	144.7
State and local	5.5	10.1	19.3	34.2	44.8	47.7	52.0	56.1	62.7
	Per capita amount								
National health expenditures	\$206	\$349	\$591	\$1,055	\$1,473	\$1,587	\$1,696	\$1,827	\$1,987
Private	152	220	340	608	865	935	987	1,069	1,164
Public	54	129	251	447	609	652	708	757	824
Federal	27	82	165	302	424	458	498	532	575
State and local	27	47	86	145	185	195	210	225	249
	Percent distribution								
National health expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Private	73.8	63.0	57.5	57.6	58.7	58.9	58.2	58.5	58.6
Public	26.2	37.0	42.5	42.4	41.3	41.1	41.8	41.5	41.4
Federal	13.2	23.6	27.9	28.6	28.8	28.8	29.4	29.1	28.9
State and local	13.0	13.5	14.5	13.8	12.5	12.3	12.4	12.3	12.5
	Average annual percent change from previous year shown								
U.S. population	—	1.0	0.9	0.9	1.0	1.0	1.0	0.9	0.9
Gross national product	—	7.6	9.5	11.3	7.6	10.8	6.4	5.6	6.8
National health expenditures	—	12.3	12.1	13.3	12.9	8.8	7.9	8.7	9.8
Private	—	8.8	10.1	13.4	13.6	9.1	6.6	9.3	9.8
Public	—	20.4	15.2	13.3	11.9	8.2	9.6	7.9	9.8
Federal	—	26.1	16.0	13.9	13.1	9.0	9.9	7.9	8.9
State and local	—	13.1	13.8	12.1	9.4	6.4	9.1	8.0	11.7
	Number in millions								
U.S. population ¹	204.0	214.8	224.7	235.2	242.4	244.8	247.1	249.5	251.8
	Amount in billions								
Gross national product	\$705	\$1,015	\$1,598	\$2,732	\$3,406	\$3,772	\$4,015	\$4,240	\$4,527
	Percent of gross national product								
National health expenditures	5.9	7.4	8.3	9.1	10.5	10.3	10.4	10.7	11.1

¹July 1 social security area population estimates.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

(Table 7), and 20 percent of all remaining other personal health care services (Table 8).

Medicare, the largest public financier of health care, provided \$81 billion in health care services to 32.4 million aged and disabled enrollees in 1987 (Table 9). The majority of Medicare benefits, 66 percent, purchased hospital care; another 27 percent bought physicians' services.

During the last 14 years with only one exception, Medicare spending for physicians' care grew 15 to 26 percent per year. Medicare expenditures for hospital care experienced similar growth rates for 1974-82, but that growth has slowed considerably in the last few years because of the implementation of the prospective payment system (PPS). As a result, Medicare's share of expenditures for physicians' services grew from 13 percent in 1974 to 22 percent in 1987; its share of expenditures for hospital care increased from 20 to 27 percent during the same period.

In 1987, the Medicaid program spent \$49 billion, 11 percent of all personal health care, on behalf of low-income and medically indigent individuals. This program is jointly funded by Federal and State and

local governments. Medicaid is heavily weighted towards institutional care: Program funds are evenly split (36 percent each) between hospital and nursing home care. The share Medicaid paid for nursing home care has decreased from 48 percent in 1980 to 44 percent in 1987; the out-of-pocket share for nursing home care has increased from 44 percent in 1980 to 49 percent in 1987.

Besides Medicare and Medicaid, there are many other public sources of financing for health care services. In 1987, these other programs paid \$45 billion in personal health benefits, and represent 10 percent of personal health spending. This category includes such programs as the Veterans' Administration, Department of Defense, Indian Health Service, worker's compensation, and maternal and child health.

Financing other health expenditures

Of the \$26 billion spent on program administration and the net cost of private health insurance, 25 percent was for public programs and the remainder for private programs (mainly private health

Table 2

National health expenditures aggregate and average annual percent change, by type of expenditure: Selected calendar years 1965-87

Type of expenditure	1965	1970	1975	1980	1983	1984	1985	1986	1987
	Amount in billions								
National health expenditures	\$41.9	\$75.0	\$132.7	\$248.1	\$357.2	\$388.5	\$419.0	\$455.7	\$500.3
Health services and supplies	38.4	69.6	124.3	236.2	341.8	372.7	403.4	439.3	483.2
Personal health care	35.9	65.4	117.1	219.7	314.7	340.1	368.3	401.6	442.6
Hospital care	14.0	28.0	52.4	101.6	146.8	156.1	166.7	178.4	194.7
Physicians' services	8.5	14.3	24.9	46.8	68.4	74.4	81.4	91.6	102.7
Dentists' services	2.8	4.7	8.2	15.4	21.7	24.6	27.1	29.6	32.8
Other professional services	1.0	1.6	2.6	5.7	9.3	10.8	12.4	14.1	16.2
Drugs and medical sundries	5.2	8.0	11.9	18.8	24.5	26.5	28.5	31.3	34.0
Eyeglasses and appliances	1.2	1.9	3.2	5.1	6.2	7.0	7.8	8.7	9.5
Nursing home care	2.1	4.7	10.1	20.4	29.4	31.6	34.7	37.4	40.6
Other personal health care	1.1	2.1	3.8	5.9	8.3	9.0	9.8	10.7	12.0
Program administration and net cost of private health insurance	1.7	2.8	4.0	9.2	17.1	21.7	22.6	23.9	25.9
Government public health activities	0.8	1.4	3.2	7.3	9.9	11.0	12.5	13.8	14.7
Research and construction	3.5	5.4	8.4	11.9	15.4	15.8	15.6	16.4	17.1
Research ¹	1.5	2.0	3.3	5.4	6.2	6.9	7.5	8.3	8.8
Construction	2.0	3.4	5.1	6.5	9.2	8.9	8.1	8.0	8.3
	Average annual percent change from previous year shown								
National health expenditures	—	12.3	12.1	13.3	12.9	8.8	7.9	8.7	9.8
Health services and supplies	—	12.6	12.3	13.7	13.1	9.0	8.2	8.9	10.0
Personal health care	—	12.8	12.4	13.4	12.7	8.1	8.3	9.0	10.2
Hospital care	—	14.9	13.4	14.2	13.0	6.3	6.8	7.0	9.1
Physicians' services	—	11.1	11.7	13.4	13.5	8.8	9.3	12.6	12.2
Dentists' services	—	11.1	11.6	13.3	12.1	13.4	10.2	9.0	11.1
Other professional services	—	9.1	10.4	16.8	17.9	16.0	14.6	13.4	15.2
Drugs and medical sundries	—	9.1	8.3	9.4	9.3	8.1	7.6	9.9	8.9
Eyeglasses and appliances	—	10.7	10.1	9.9	7.1	13.0	10.3	11.8	9.3
Nursing home care	—	17.8	16.4	15.2	13.0	7.7	9.6	7.8	8.6
Other personal health care	—	12.5	12.8	9.5	12.1	7.3	9.3	9.5	12.2
Program administration and net cost of private health insurance	—	10.1	7.2	18.1	23.1	26.4	4.1	6.0	8.4
Government public health activities	—	11.9	17.2	18.2	10.9	10.2	14.4	9.6	7.0
Research and construction	—	9.0	9.2	7.3	8.8	2.4	-1.0	4.9	4.5
Research ¹	—	5.4	11.1	10.3	4.2	12.1	9.2	10.4	6.2
Construction	—	11.4	8.1	5.1	12.4	-4.1	-8.9	-0.3	2.8

¹Research and development expenditures of drug companies and other manufacturers and providers of medical equipment and supplies are excluded from "research expenditures," but they are included in the expenditure class in which the product falls.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

insurance). Government public health activities are financed by Federal (11 percent), and State and local governments (89 percent). An example of Federal government public health would be the Centers for Disease Control in Atlanta that targets diseases rather than beneficiary populations. Activities of State and local health departments comprise most of the State and local public health programs.

The Federal government financed the largest amount for research, with funds totaling \$7 billion, most of which was spent by the National Institutes of Health. Of the \$8 billion spent on construction of

medical facilities in 1987, 32 percent came from public sources, and the remainder was financed by private sources.

Acknowledgments

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Table 3
National health expenditures, by source of funds and type of expenditure:
Selected calendar years 1980-87

Year and type of expenditure	Total	Private					Government		
		All private funds	Consumer			Other	Total	Federal	State and local
			Total	Direct	Private insurance				
Amount in billions									
1980									
National health expenditures	\$248.1	\$142.9	\$135.6	\$63.0	\$72.6	\$7.3	\$105.2	\$71.0	\$34.2
Health services and supplies	236.2	138.7	135.6	63.0	72.6	3.0	97.5	65.8	31.7
Personal health care	219.7	133.2	130.5	63.0	67.5	2.7	86.5	62.5	24.0
Hospital care	101.6	47.7	46.6	7.9	38.7	1.1	53.9	41.1	12.8
Physicians' services	46.8	34.2	34.2	14.2	20.0	0.0	12.6	9.6	3.0
Dentists' services	15.4	14.8	14.8	10.1	4.7	—	0.6	0.3	0.3
Other professional services	5.7	4.2	4.2	2.8	1.4	0.1	1.4	1.0	0.4
Drugs and medical sundries	18.8	17.1	17.1	15.0	2.2	—	1.6	0.8	0.8
Eyeglasses and appliances	5.1	4.5	4.5	4.1	0.4	—	0.6	0.5	0.1
Nursing home care	20.4	9.2	9.1	8.9	0.2	0.1	11.2	6.0	5.2
Other personal health care	5.9	1.4	—	—	—	1.4	4.5	3.1	1.4
Program administration and net cost of private health insurance	9.2	5.4	5.1	—	5.1	0.3	3.8	2.0	1.7
Government public health activities	7.3	—	—	—	—	—	7.3	1.3	6.0
Research and construction	11.9	4.3	—	—	—	4.3	7.7	5.2	2.4
Research	5.4	0.3	—	—	—	0.3	5.1	4.7	0.5
Construction	6.5	4.0	—	—	—	4.0	2.5	0.6	2.0
1983									
National health expenditures	\$357.2	\$209.7	\$198.4	\$88.7	\$109.7	\$11.3	\$147.5	\$102.7	\$44.8
Health services and supplies	341.8	202.8	198.4	88.7	109.7	4.5	138.9	96.9	42.1
Personal health care	314.7	190.6	186.7	88.7	98.0	4.0	124.1	92.9	31.1
Hospital care	146.8	70.0	68.2	13.3	54.9	1.8	76.8	60.4	16.4
Physicians' services	68.4	49.0	48.9	19.3	29.6	0.0	19.5	15.6	3.8
Dentists' services	21.7	21.2	21.2	13.8	7.3	—	0.6	0.3	0.3
Other professional services	9.3	6.6	6.5	4.4	2.1	0.1	2.7	2.0	0.7
Drugs and medical sundries	24.5	22.3	22.3	19.2	3.2	—	2.1	1.1	1.1
Eyeglasses and appliances	6.2	5.2	5.2	4.5	0.7	—	1.0	0.9	0.1
Nursing home care	29.4	14.6	14.4	14.1	0.3	0.2	14.8	8.1	6.7
Other personal health care	8.3	1.8	—	—	—	1.8	6.5	4.5	2.0
Program administration and net cost of private health insurance	17.1	12.2	11.7	—	11.7	0.5	4.9	2.7	2.3
Government public health activities	9.9	—	—	—	—	—	9.9	1.3	8.7
Research and construction	15.4	6.8	—	—	—	6.8	8.6	5.9	2.7
Research	6.2	0.4	—	—	—	0.4	5.8	5.2	0.6
Construction	9.2	6.5	—	—	—	6.5	2.8	0.7	2.1
1984									
National health expenditures	\$388.5	\$228.8	\$217.6	\$95.7	\$121.9	\$11.2	\$159.6	\$112.0	\$47.7
Health services and supplies	372.7	222.2	217.6	95.7	121.9	4.6	150.5	105.4	45.1
Personal health care	340.1	205.0	201.0	95.7	105.3	4.0	135.1	101.2	33.9
Hospital care	156.1	72.3	70.6	14.1	56.5	1.7	83.9	66.0	17.9
Physicians' services	74.4	53.3	53.2	20.0	33.3	0.0	21.2	16.9	4.3
Dentists' services	24.6	24.1	24.1	15.5	8.6	—	0.5	0.3	0.3
Other professional services	10.8	7.5	7.4	5.0	2.4	0.1	3.3	2.4	0.9
Drugs and medical sundries	26.5	24.0	24.0	20.5	3.5	—	2.4	1.2	1.3
Eyeglasses and appliances	7.0	5.8	5.8	5.0	0.8	—	1.2	1.1	0.1
Nursing home care	31.6	16.0	15.8	15.5	0.3	0.2	15.6	8.5	7.1
Other personal health care	9.0	2.0	—	—	—	2.0	6.9	4.8	2.1
Program administration and net cost of private health insurance	21.7	17.1	16.6	—	16.6	0.5	4.5	2.9	1.6
Government public health activities	11.0	—	—	—	—	—	11.0	1.4	9.6
Research and construction	15.8	6.7	—	—	—	6.7	9.1	6.6	2.5
Research	6.9	0.5	—	—	—	0.5	6.4	5.8	0.6
Construction	8.9	6.2	—	—	—	6.2	2.7	0.7	1.9

See footnotes at end of table.

Table 3—Continued
National health expenditures, by source of funds and type of expenditure:
Selected calendar years 1980-87

Year and type of expenditure	Total	Private					Government		
		All private funds	Consumer			Other	Total	Federal	State and local
			Total	Direct	Private insurance				
1985									
National health expenditures	\$419.0	\$244.0	\$232.8	\$103.7	\$129.1	\$11.1	\$175.0	\$123.1	\$52.0
Health services and supplies	403.4	238.0	232.8	103.7	129.1	5.2	165.4	115.9	49.5
Personal health care	368.3	220.3	215.7	103.7	112.0	4.6	148.0	111.3	36.7
Hospital care	166.7	76.2	74.2	15.4	58.9	2.0	90.5	71.3	19.2
Physicians' services	81.4	57.2	57.2	21.6	35.6	0.0	24.1	19.3	4.8
Dentists' services	27.1	26.6	26.6	16.8	9.7	—	0.6	0.3	0.3
Other professional services	12.4	8.4	8.3	5.4	2.9	0.1	4.0	2.8	1.2
Drugs and medical sundries	28.5	25.6	25.6	21.8	3.8	—	2.9	1.4	1.5
Eyeglasses and appliances	7.8	6.3	6.3	5.4	0.9	—	1.5	1.3	0.2
Nursing home care	34.7	17.8	17.5	17.2	0.3	0.2	16.9	9.5	7.4
Other personal health care	9.8	2.2	—	—	—	2.2	7.6	5.3	2.2
Program administration and net cost of private health insurance	22.6	17.7	17.1	—	17.1	0.6	4.8	3.2	1.6
Government public health activities	12.5	—	—	—	—	—	12.5	1.4	11.2
Research and construction	15.6	6.0	—	—	—	6.0	9.6	7.2	2.5
Research	7.5	0.5	—	—	—	0.5	7.1	6.3	0.7
Construction	8.1	5.5	—	—	—	5.5	2.6	0.8	1.7
1986									
National health expenditures	\$455.7	\$266.8	\$255.1	\$112.6	\$142.4	\$11.7	\$188.9	\$132.8	\$56.1
Health services and supplies	439.3	260.5	255.1	112.6	142.4	5.5	178.8	125.0	53.7
Personal health care	401.6	242.1	237.3	112.6	124.6	4.8	159.6	120.3	39.2
Hospital care	178.4	83.1	81.1	16.7	64.4	2.0	95.4	75.1	20.2
Physicians' services	91.6	63.9	63.9	23.7	40.2	0.1	27.6	22.4	5.3
Dentists' services	29.6	28.9	28.9	18.2	10.8	—	0.6	0.3	0.3
Other professional services	14.1	9.5	9.4	5.7	3.7	0.1	4.6	3.2	1.4
Drugs and medical sundries	31.3	27.9	27.9	23.7	4.2	—	3.4	1.7	1.7
Eyeglasses and appliances	8.7	6.9	6.9	5.9	1.0	—	1.7	1.6	0.2
Nursing home care	37.4	19.4	19.1	18.8	0.3	0.3	18.0	10.2	7.8
Other personal health care	10.7	2.4	—	—	—	2.4	8.3	5.9	2.4
Program administration and net cost of private health insurance	23.9	18.5	17.8	—	17.8	0.6	5.5	3.3	2.2
Government public health activities	13.8	—	—	—	—	—	13.8	1.4	12.3
Research and construction	16.4	6.2	—	—	—	6.2	10.1	7.8	2.4
Research	8.3	0.7	—	—	—	0.7	7.6	6.8	0.8
Construction	8.0	5.6	—	—	—	5.6	2.5	0.9	1.6
1987									
National health expenditures	\$500.3	\$293.0	\$280.8	\$123.0	\$157.8	\$12.2	\$207.3	\$144.7	\$62.7
Health services and supplies	483.2	286.7	280.8	123.0	157.8	5.9	196.5	136.3	60.2
Personal health care	442.6	267.3	262.1	123.0	139.1	5.3	175.3	131.2	44.1
Hospital care	194.7	92.6	90.4	18.5	71.9	2.2	102.2	80.0	22.2
Physicians' services	102.7	70.9	70.9	26.3	44.6	0.1	31.8	25.7	6.1
Dentists' services	32.8	32.2	32.2	20.0	12.1	—	0.7	0.3	0.3
Other professional services	16.2	10.8	10.7	6.4	4.3	0.1	5.4	3.6	1.8
Drugs and medical sundries	34.0	30.2	30.2	25.5	4.7	—	3.9	1.9	2.0
Eyeglasses and appliances	9.5	7.3	7.3	6.3	1.1	—	2.1	1.9	0.2
Nursing home care	40.6	20.6	20.4	20.0	0.4	0.3	19.9	11.1	8.9
Other personal health care	12.0	2.6	—	—	—	2.6	9.4	6.7	2.7
Program administration and net cost of private health insurance	25.9	19.4	18.7	—	18.7	0.7	6.6	3.5	3.1
Government public health activities	14.7	—	—	—	—	—	14.7	1.6	13.1
Research and construction	17.1	6.3	—	—	—	6.3	10.8	8.4	2.4
Research	8.8	0.6	—	—	—	0.6	8.2	7.4	0.8
Construction	8.3	5.7	—	—	—	5.7	2.6	1.0	1.6

NOTES: Research and development expenditures of drug companies and other manufacturers and providers of medical equipment and supplies are excluded from noncommercial research, being implicitly included in the value of the good or service being produced. "Other private funds" include spending by philanthropy, industrial implant health services, and privately financed construction. 0.0 denotes less than \$50 million.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 4

Personal health care expenditures aggregate, per capita, and percent distribution, by source of funds: Selected calendar years 1980-87

Year	Third parties									
	Total	Direct patient payments	All third parties	Private health insurance	Other private funds	Government				
						Total	Federal	State and local	Medicare ¹	Medicaid ²
Amount in billions										
1980	\$219.7	\$63.0	\$156.7	\$67.5	\$2.7	\$86.5	\$82.5	\$24.0	\$35.7	\$25.2
1983	314.7	88.7	226.0	98.0	4.0	124.1	92.9	31.1	57.4	33.9
1984	340.1	95.7	244.4	105.3	4.0	135.1	101.2	33.9	63.0	36.4
1985	388.3	103.7	284.6	112.0	4.6	148.0	111.3	36.7	69.3	40.3
1986	401.6	112.6	289.0	124.6	4.8	159.6	120.3	39.2	74.6	43.6
1987	442.6	123.0	319.6	139.1	5.3	175.3	131.2	44.1	81.2	49.4
Per capita amount										
1980	\$934	\$268	\$666	\$287	\$11	\$368	\$266	\$102	(9)	(9)
1983	1,298	368	932	404	16	512	383	128	(9)	(9)
1984	1,389	391	998	430	17	552	413	138	(9)	(9)
1985	1,490	420	1,071	453	19	599	450	149	(9)	(9)
1986	1,610	452	1,159	500	19	640	482	157	(9)	(9)
1987	1,758	488	1,270	552	21	696	521	175	(9)	(9)
Percent distribution										
1980	100.0	28.7	71.3	30.7	1.2	39.4	28.4	10.9	16.2	11.5
1983	100.0	28.2	71.8	31.1	1.3	39.4	29.5	9.9	18.3	10.8
1984	100.0	28.1	71.9	31.0	1.2	39.7	29.7	10.0	18.5	10.7
1985	100.0	28.2	71.8	30.4	1.2	40.2	30.2	10.0	18.8	10.9
1986	100.0	28.0	72.0	31.0	1.2	39.7	30.0	9.8	18.6	10.9
1987	100.0	27.8	72.2	31.4	1.2	39.6	29.6	10.0	18.4	11.2

¹Subset of Federal funds.

²Subset of Federal and State and local funds.

³Calculation of per capita estimates is inappropriate.

NOTE: Per capita amounts based on July 1 social security area population estimates.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Table 5
Hospital care expenditures aggregate, per capita, and percent distribution, by source of funds: Selected calendar years 1980-87

Year	Third parties					Government				
	Total	Direct patient payments	All third parties	Private health insurance	Other private funds	Total	Federal	State and local	Medicare ¹	Medicaid ²
Amount in billions										
1980	\$101.6	\$7.9	\$93.7	\$38.7	\$1.1	\$53.9	\$41.1	\$12.8	\$25.9	\$9.6
1983	146.8	13.3	133.6	54.9	1.8	76.8	60.4	16.4	40.5	12.9
1984	156.1	14.1	142.0	56.5	1.7	83.9	66.0	17.9	44.5	13.9
1985	166.7	15.4	151.4	58.9	2.0	90.5	71.3	19.2	48.2	14.9
1986	178.4	16.7	161.7	64.4	2.0	95.4	75.1	20.2	50.4	15.8
1987	194.7	18.5	176.2	71.9	2.2	102.2	80.0	22.2	53.3	17.8
Per capita amount										
1980	\$432	\$34	\$398	\$165	\$5	\$229	\$175	\$55	(³)	(³)
1983	606	55	551	227	7	317	249	68	(³)	(³)
1984	638	58	580	231	7	343	270	73	(³)	(³)
1985	675	62	612	238	8	366	288	78	(³)	(³)
1986	715	67	648	258	8	382	301	81	(³)	(³)
1987	773	73	700	286	9	406	318	88	(³)	(³)
Percent distribution										
1980	100.0	7.8	92.2	38.1	1.1	53.1	40.4	12.6	25.5	9.4
1983	100.0	9.0	91.0	37.4	1.2	52.3	41.2	11.2	27.6	8.8
1984	100.0	9.0	91.0	36.2	1.1	53.7	42.3	11.4	28.5	8.9
1985	100.0	9.2	90.8	35.3	1.2	54.3	42.7	11.5	28.9	9.0
1986	100.0	9.4	90.6	36.1	1.1	53.4	42.1	11.3	28.2	8.9
1987	100.0	9.5	90.5	36.9	1.1	52.5	41.1	11.4	27.4	9.1

¹Subset of Federal funds.

²Subset of Federal and State and local funds.

³Calculation of per capita estimates is inappropriate.

NOTE: Per capita amounts based on July 1 social security area population estimates.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 6

Physician care expenditures aggregate, per capita, and percent distribution, by source of funds: Selected calendar years 1980-87

Year	Third parties									
	Total	Direct patient payments	All third parties	Private health insurance	Other private funds	Government				
						Total	Federal	State and local	Medicare ¹	Medicaid ²
Amount in billions										
1980	\$46.8	\$14.2	\$32.6	\$20.0	\$0.0	\$12.6	\$9.6	\$3.0	\$7.9	\$2.4
1983	68.4	19.3	49.1	29.6	0.0	19.5	15.6	3.8	13.4	2.9
1984	74.4	20.0	54.5	33.3	0.0	21.2	16.9	4.3	14.5	3.1
1985	81.4	21.6	59.7	35.6	0.0	24.1	19.3	4.8	16.7	3.5
1986	91.6	23.7	67.9	40.2	0.1	27.6	22.4	5.3	19.3	3.9
1987	102.7	26.3	76.4	44.6	0.1	31.8	25.7	6.1	22.3	4.4
Per capita amount										
1980	\$199	\$61	\$139	\$85	\$0	\$54	\$41	\$13	(³)	(³)
1983	282	80	202	122	0	80	64	16	(³)	(³)
1984	304	82	222	136	0	86	69	17	(³)	(³)
1985	329	88	242	144	0	98	78	19	(³)	(³)
1986	367	95	272	161	0	111	90	21	(³)	(³)
1987	408	104	304	177	0	126	102	24	(³)	(³)
Percent distribution										
1980	100.0	30.4	69.6	42.6	0.1	26.9	20.6	6.3	16.9	5.2
1983	100.0	28.3	71.7	43.2	0.1	28.4	22.8	5.6	19.6	4.3
1984	100.0	26.8	73.2	44.7	0.1	28.4	22.7	5.7	19.5	4.2
1985	100.0	26.6	73.4	43.7	0.1	29.7	23.8	5.9	20.5	4.3
1986	100.0	25.9	74.1	43.9	0.1	30.2	24.4	5.8	21.1	4.3
1987	100.0	25.6	74.4	43.4	0.1	30.9	25.1	5.9	21.7	4.3

¹Subset of Federal funds.

²Subset of Federal and State and local funds.

³Calculation of per capita estimates is inappropriate.

NOTES: 0.0 denotes less than \$50 million for aggregate amounts, and 0 denotes less than \$.50 for per capita amounts. Per capita amounts based on July 1 social security area population estimates.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 7

Nursing home care expenditures aggregate, per capita, and percent distribution, by source of funds: Selected calendar years 1980-87

Year	Third parties									
	Total	Direct patient payments	All third parties	Private health insurance	Other private funds	Government				
						Total	Federal	State and local	Medicare ¹	Medicaid ²
Amount in billions										
1980	\$20.4	\$8.9	\$11.5	\$0.2	\$0.1	\$11.2	\$6.0	\$5.2	\$0.4	\$9.8
1983	29.4	14.1	15.3	0.3	0.2	14.8	8.1	6.7	0.5	13.0
1984	31.6	15.5	16.1	0.3	0.2	15.6	8.5	7.1	0.5	13.8
1985	34.7	17.2	17.4	0.3	0.2	16.9	9.5	7.4	0.5	15.0
1986	37.4	18.8	18.6	0.3	0.3	18.0	10.2	7.8	0.6	16.0
1987	40.6	20.0	20.6	0.4	0.3	19.9	11.1	8.9	0.6	17.8
Per capita amount										
1980	\$67	\$38	\$49	\$1	\$1	\$48	\$26	\$22	(³)	(³)
1983	121	58	63	1	1	61	33	28	(³)	(³)
1984	129	63	66	1	1	64	35	29	(³)	(³)
1985	140	70	71	1	1	68	38	30	(³)	(³)
1986	150	75	74	1	1	72	41	31	(³)	(³)
1987	161	79	82	2	1	79	44	35	(³)	(³)
Percent distribution										
1980	100.0	43.6	56.4	0.9	0.6	54.9	29.6	25.3	1.9	48.0
1983	100.0	48.0	52.0	0.9	0.7	50.4	27.5	22.9	1.8	44.4
1984	100.0	49.0	51.0	0.9	0.7	49.4	26.9	22.4	1.7	43.7
1985	100.0	49.7	50.3	0.9	0.7	48.7	27.3	21.4	1.6	43.4
1986	100.0	50.3	49.7	0.9	0.7	48.1	27.3	20.8	1.5	42.8
1987	100.0	49.3	50.7	0.9	0.7	49.1	27.3	21.8	1.4	43.9

¹Subset of Federal funds.²Subset of Federal and State and local funds.³Calculation of per capita estimates is inappropriate.

NOTE: Per capita amounts based on July 1 social security area population estimates.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 8

Other personal health care expenditures¹ aggregate, per capita, and percent distribution, by source of funds: Selected calendar years 1980-87

Year	Total	Third parties				Government				
		Direct patient payments	All third parties	Private health insurance	Other private funds	Total	Federal	State and local	Medicare ²	Medicaid ³
Amount in billions										
1980	\$50.9	\$32.0	\$18.8	\$8.6	\$1.5	\$8.7	\$5.7	\$3.0	\$1.5	\$3.4
1983	70.1	42.0	26.1	13.2	1.9	13.0	8.8	4.2	3.0	5.1
1984	77.9	46.1	31.8	15.2	2.1	14.4	9.8	4.7	3.5	5.6
1985	85.5	49.5	36.1	17.3	2.3	16.5	11.2	5.3	3.9	6.8
1986	94.3	53.5	40.8	19.7	2.5	18.6	12.6	5.9	4.4	7.9
1987	104.6	58.2	46.4	22.2	2.8	21.4	14.5	6.9	5.1	9.4
Per capita amount										
1980	\$216	\$136	\$80	\$37	\$6	\$37	\$24	\$13	()	()
1983	289	173	116	55	8	54	36	17	()	()
1984	318	188	130	62	9	59	40	19	()	()
1985	346	200	146	70	9	67	45	22	()	()
1986	378	214	164	79	10	74	51	24	()	()
1987	415	231	184	88	11	85	57	28	()	()
Percent distribution										
1980	100.0	63.0	37.0	17.0	2.9	17.2	11.2	5.9	2.9	6.7
1983	100.0	59.9	40.1	18.9	2.7	18.5	12.6	6.0	4.3	7.2
1984	100.0	59.2	40.8	19.5	2.7	18.5	12.5	6.0	4.5	7.2
1985	100.0	57.8	42.2	20.2	2.7	19.3	13.1	6.2	4.5	7.9
1986	100.0	56.7	43.3	20.9	2.7	19.7	13.4	6.3	4.7	8.4
1987	100.0	55.7	44.3	21.2	2.6	20.5	13.8	6.6	4.9	9.0

¹Personal health care expenditures other than those for hospital care, physicians' services, and nursing home care.

²Subset of Federal funds.

³Subset of Federal and State and local funds.

⁴Calculation of per capita estimates is inappropriate.

NOTE: Per capita amounts based on July 1 social security area population estimates.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 9

Personal health care expenditures, by type of expenditure and selected source of funds: Selected calendar years 1980-87

Source of payment	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and sundries	Eyeglasses and appliances	Nursing home care	Other personal care
1980									
Amount in billions									
Personal health care expenditures	\$219.7	\$101.6	\$46.8	\$15.4	\$5.7	\$18.8	\$5.1	\$20.4	\$5.9
Direct patient payments	63.0	7.9	14.2	10.1	2.8	15.0	4.1	8.9	—
Third-party payments	156.7	93.7	32.6	5.3	2.9	3.8	0.9	11.5	5.9
Private health insurance	67.5	38.7	20.0	4.7	1.4	2.2	0.4	0.2	—
Other private	2.7	1.1	0.0	—	0.1	—	—	0.1	1.4
Government	86.5	53.9	12.6	0.6	1.4	1.6	0.6	11.2	4.5
Federal	62.5	41.1	9.6	0.3	1.0	0.8	0.5	6.0	3.1
Medicare	35.7	25.9	7.9	—	0.7	—	0.4	0.4	0.4
Medicaid	13.6	5.2	1.3	0.3	0.3	0.8	—	5.3	0.5
Other	13.1	10.0	0.4	0.1	0.0	0.0	0.1	0.4	2.1
State and local	24.0	12.8	3.0	0.3	0.4	0.8	0.1	5.2	1.4
Medicaid	11.6	4.4	1.1	0.2	0.3	0.6	—	4.5	0.4
Other	12.4	8.4	1.9	0.0	0.2	0.2	0.1	0.7	1.0
Total Medicaid	25.2	9.6	2.4	0.5	0.6	1.4	—	9.8	0.9
1983									
Personal health care expenditures	\$314.7	\$146.8	\$68.4	\$21.7	\$9.3	\$24.5	\$6.2	\$29.4	\$8.3
Direct patient payments	88.7	13.3	19.3	13.8	4.4	19.2	4.5	14.1	—
Third-party payments	226.0	133.6	49.1	7.9	4.9	5.3	1.7	15.3	8.3
Private health insurance	98.0	54.9	29.6	7.3	2.1	3.2	0.7	0.3	—
Other private	4.0	1.8	0.0	—	0.1	—	—	0.2	1.8
Government	124.1	78.8	19.5	0.6	2.7	2.1	1.0	14.8	6.5
Federal	92.9	60.4	15.6	0.3	2.0	1.1	0.9	8.1	4.5
Medicare	57.4	40.5	13.4	—	1.4	—	0.8	0.5	0.8
Medicaid	18.3	6.9	1.6	0.3	0.6	1.0	—	7.0	0.9
Other	17.2	13.0	0.6	0.0	0.1	0.1	0.1	0.5	2.8
State and local	31.1	16.4	3.8	0.3	0.7	1.1	0.1	6.7	2.0
Medicaid	15.7	8.0	1.3	0.2	0.5	0.9	—	6.0	0.8
Other	15.5	10.4	2.5	0.0	0.2	0.2	0.1	0.7	1.3
Total Medicaid	33.9	12.9	2.9	0.5	1.0	1.9	—	13.0	1.7
1984									
Personal health care expenditures	\$340.1	\$158.1	\$74.4	\$24.6	\$10.8	\$26.5	\$7.0	\$31.6	\$9.0
Direct patient payments	95.7	14.1	20.0	15.5	5.0	20.5	5.0	15.5	—
Third-party payments	244.4	142.0	54.5	9.1	5.8	5.9	2.0	16.1	9.0
Private health insurance	105.3	56.5	33.3	8.6	2.4	3.5	0.8	0.3	—
Other private	4.0	1.7	0.0	—	0.1	—	—	0.2	2.0
Government	135.1	83.9	21.2	0.5	3.3	2.4	1.2	15.6	6.9
Federal	101.2	66.0	16.9	0.3	2.4	1.2	1.1	8.5	4.8
Medicare	63.0	44.5	14.5	—	1.6	—	1.0	0.5	0.9
Medicaid	19.3	7.3	1.7	0.2	0.7	1.1	—	7.3	0.9
Other	18.8	14.2	0.7	0.0	0.1	0.1	0.1	0.7	3.0
State and local	33.9	17.9	4.3	0.3	0.9	1.3	0.1	7.1	2.1
Medicaid	17.1	6.5	1.4	0.2	0.7	1.0	—	6.5	0.8
Other	18.1	11.3	2.8	0.1	0.2	0.3	0.1	0.6	1.4
Total Medicaid	36.4	13.9	3.1	0.4	1.4	2.1	—	13.8	1.7

See footnotes at end of table.

Table 9—Continued

Personal health care expenditures, by type of expenditure and selected source of funds: Selected calendar years 1980-87

Source of payment	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and sundries	Eyeglasses and appliances	Nursing home care	Other personal care
1985									
Amount in billions									
Personal health care expenditures	\$368.3	\$166.7	\$81.4	\$27.1	\$12.4	\$28.5	\$7.8	\$34.7	\$9.8
Direct patient payments	103.7	15.4	21.6	16.8	5.4	21.8	5.4	17.2	—
Third-party payments	264.6	151.4	59.7	10.3	7.0	6.7	2.3	17.4	9.8
Private health insurance	112.0	58.9	35.6	9.7	2.9	3.8	0.9	0.3	—
Other private	4.6	2.0	0.0	—	0.1	—	—	0.2	2.2
Government	148.0	90.5	24.1	0.6	4.0	2.9	1.5	16.9	7.6
Federal	111.3	71.3	19.3	0.3	2.8	1.4	1.3	9.5	5.3
Medicare	69.3	48.2	16.7	—	1.7	—	1.2	0.5	1.0
Medicaid	22.1	8.2	1.9	0.3	1.0	1.4	—	8.2	1.1
Other	19.9	14.9	0.7	0.0	0.1	0.1	0.1	0.7	3.3
State and local	36.7	19.2	4.8	0.3	1.2	1.5	0.2	7.4	2.2
Medicaid	18.2	6.8	1.6	0.2	0.9	1.1	—	6.8	0.8
Other	18.5	12.5	3.2	0.1	0.3	0.3	0.2	0.6	1.5
Total Medicaid	40.3	14.9	3.5	0.5	2.0	2.5	—	15.0	1.8
1986									
Personal health care expenditures	\$401.6	\$178.4	\$91.6	\$29.6	\$14.1	\$31.3	\$8.7	\$37.4	\$10.7
Direct patient payments	112.6	16.7	23.7	18.2	5.7	23.7	5.9	18.8	—
Third-party payments	289.0	161.7	67.9	11.4	8.3	7.6	2.7	18.6	10.7
Private health insurance	124.6	64.4	40.2	10.8	3.7	4.2	1.0	0.3	—
Other private	4.8	2.0	0.1	—	0.1	—	—	0.3	2.4
Government	159.6	95.4	27.6	0.6	4.6	3.4	1.7	18.0	8.3
Federal	120.3	75.1	22.4	0.3	3.2	1.7	1.6	10.2	5.9
Medicare	74.6	50.4	19.3	—	1.8	—	1.4	0.6	1.1
Medicaid	24.2	8.8	2.2	0.3	1.3	1.6	—	8.8	1.2
Other	21.5	15.9	0.9	0.0	0.1	0.1	0.1	0.8	3.6
State and local	39.2	20.2	5.3	0.3	1.4	1.7	0.2	7.8	2.4
Medicaid	19.4	7.0	1.7	0.2	1.1	1.3	—	7.2	0.9
Other	19.9	13.2	3.6	0.1	0.3	0.4	0.2	0.6	1.6
Total Medicaid	43.6	15.8	3.9	0.5	2.4	2.9	—	16.0	2.1
1987									
Personal health care expenditures	\$442.6	\$194.7	\$102.7	\$32.8	\$16.2	\$34.0	\$9.5	\$40.6	\$12.0
Direct patient payments	123.0	18.5	26.3	20.0	6.4	25.5	6.3	20.0	—
Third-party payments	319.6	176.2	76.4	12.8	9.8	8.6	3.2	20.6	12.0
Private health insurance	139.1	71.9	44.6	12.1	4.3	4.7	1.1	0.4	—
Other private	5.3	2.2	0.1	—	0.1	—	—	0.3	2.6
Government	175.3	102.2	31.8	0.7	5.4	3.9	2.1	19.9	9.4
Federal	131.2	80.0	25.7	0.3	3.6	1.9	1.9	11.1	6.7
Medicare	81.2	53.3	22.3	—	2.0	—	1.8	0.6	1.3
Medicaid	26.8	9.7	2.4	0.3	1.5	1.8	—	9.6	1.4
Other	23.2	17.0	1.0	0.0	0.1	0.1	0.1	0.9	4.0
State and local	44.1	22.2	6.1	0.3	1.8	2.0	0.2	8.9	2.7
Medicaid	22.6	8.1	2.0	0.3	1.5	1.6	—	8.2	1.0
Other	21.5	14.1	4.1	0.1	0.3	0.4	0.2	0.6	1.7
Total Medicaid	49.4	17.8	4.4	0.6	3.0	3.4	—	17.8	2.4

NOTES: 0.0 denotes less than \$50 million. Medicaid expenditures include Part B premium payments to Medicare by States under "buy-in" agreements to cover premiums for eligible Medicaid recipients.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.